Seat No: ________

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Post-Graduate Department of Commerce (M.Com)

M.Com Part-II, Semester-III, Semester End Examination, November 2023

COM-625: Treasury and Forex Management (OA - 35)

Duration: 2 Hours **Max Marks: 40**

Instructions:

1. *This paper consists of* ***Six*** *questions carrying* ***Equal marks.***
2. *Question No.1 consists of* ***5 Compulsory*** *questions of* ***2 marks each.***
3. *Answer* ***any Three*** *questions from questions 2,3,4,5 and 6*
4. ***Each*** *question carries* ***10 marks.*** *Figures to the* ***right*** *indicate marks.*

Q.1. Answer the following: **(10)**

a) Describe the three types of International current accounts.

b) An investor purchases a 182-day T-Bill with a face value of Rs. 50,000 at a price of Rs. 49,000. Calculate the discount rate and the annualized yield.

c) How is Treasury Management different from Financial Management. (Explain any two points)

d) If the one month outright forward rate of Rs/USD is 81.20/22 and the relevant swap points are 3/5, Calculate the spot rate and the spot and forward spread. Comment.

e) Explain Leading and Lagging as a measure of mitigating foreign exchange exposures.

Q.2. A. Dealers do a host of transactions in different currencies in the interbank market which results in large trade volumes and such transactions offset one another leaving open positions. In view of this statement describe open positions in currencies and explain the various open position limits. **(05)**

B. Highlight and discuss the role of the Treasury Manager at the International level. **(05)**

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Q.3. A. Treasury functions at the National level are very crucial and aids in healthy credit creation and control for an Economy. Elucidate the tools used by the Treasury Manager to manage and regulate credit at the National Level. **(06)**

B. Raj purchases a 5-year Treasury bond with a face value of Rs. 10,000 and an annual coupon rate of 3%. If the bonds yield to maturity (YTM) at the time of purchase is 4.5%, calculate the bonds price if the YTM decreases to 4% after one year. **(04)**

Q.4. A. An Exchange rate fluctuates on account of market forces of demand and supply which is subject to changes in a wide range of interrelated factors. In light of this statement, discuss the various factors that influence the exchange rate with suitable examples. **(06)**

B. On 21st November 2023, an Indian Bank sold SKr 5,00,000 spot to a customer for Rs. 6.23/SKr. On the same day the following quotes prevailed in the market:

Market	Rs/$	SKr/$
Spot	45.30/45	7.2480/86

Calculate the Profit/Loss of the Indian Bank on account of the above transaction. **(04)**

Q.5. A. Describe Translation exposure in the context of Foreign Exchange. **(02)**

B. From the following information Calculate the Theoretical Forward price and explore the Arbitrage Possibility. **(08)**

Spot Rs/$	82.30/82.45
6-m Forward Rs/$	82.70/82.95
Interest rate in India	12%
Interest rate in the USA	7%

Q.6. A. Elucidate the influence of Strike Price, Interest rate and Exchange rate on the Price of Currency Call and Put Options. **(03)**

B. A Treasury Manager has been asked by his Company situated in New York City to invest a surplus of $3,00,000 for a period of two months to get better returns. The Treasury manager collected the following information from the forex market:

Market	US$/Euro	HK$/US$
Spot	1.2820/22	9.9690/92
2-m Forward	1.2836/39	9.9680/83

The Interest rates were as follows:

HK$: 3.6% - 3.8%

Euro: 3.2% - 3.4%

US$: 2.4% - 2.6%

Which is the most profitable currency among the three to invest for the Treasury Manager? **(07)**

*******************Best Wishes*******************